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Synopsis for Ph.D. Registration

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Role of Behavioral Finance in Financial Decision for Mutual Fund Investment - A Case Study of Ranchi District.

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1. Introduction:

The world of finance, contrary to ongoing traditional finance models of the last fifty years, gives wider publicity to the notions of human and investor psychology with behavioral finance because investors do not make investment decisions depending only on financial indicators but also on how their own psychologies and gut feelings are influenced. Within this context, the role of Behavioural finance determines the process of how an individual decides to invest in Mutual funds. An investor always invests their money in the expectation of some return in the future. Investment is an essential part of growing healthy wealth creation, which helps investors beat inflation to fulfill their financial goals and also secure their financial future goals.

The financial decision is the act of allocating money or resources with the expectation of generating wealth or profit. The primary goal of investing in the mutual fund is to be safe for those investors which has less knowledge of the stock market. A mutual fund is a diversification of risk diversification which means spreading out money across many different types of investments. When one investment is down, another might be up, and give potential returns in the future.

1.2. Financial Decision:

Financial Decision refers to the process of making decisions that influence the financial performance and stability of an individual or company. Financial decisions are categorized into three main types based on their scope and impact. These include **investment decisions**, **financing decisions**, and **dividend decisions**.

A. Types of Financial Decision:

I. Investment Decisions:

Investment decisions, known as capital budgeting decisions, are one of the most important types of financial management decisions. These involve allocating resources to different investment opportunities to maximize returns over time. They carefully evaluate investments such as stocks, real estate, and **Mutual funds** and invest in those that are aligned with the company's short-and long-term financial goals and risk tolerance capacity. These are focused on:

- Expected future return
- Time value of money

- Risk and return analysis.

II. Financing Decisions:

The financing decision deals with the mix of debt and equity used to fund the company's operations and investments. The goal is to optimize the capital structure to minimize costs and maximize value. There are two main options to source funds: first, issuing new shares, and second, debt.

- **Equity Financing**: Raising funds through issuing new shares or retained earnings.
- **Debt Financing**: Borrowing funds through bonds, loans, or other credit instruments.

III. Dividend Decisions:

These involve determining the portion of profits to be distributed to shareholders as dividends and the amount to retain in the business for reinvestment.

- Profitability
- Growth opportunities
- Shareholder expectations
- Market conditions

IV. Other Types of Financial Decisions:

- **Liquidity Management Decisions**: Ensuring the firm can meet its short-term obligations.
- **Risk Management Decisions**: Mitigating financial risks, such as currency fluctuations, interest rate changes, or credit defaults.
- **Mergers and Acquisitions Decisions**: Evaluating and executing strategies related to combining with or acquiring other businesses.

Each type of financial decision contributes to the overall health and success of the organization, requiring a strategic balance between short-term needs and long-term goals. Present research on mutual fund investment comes under the investing decision of financial decision-making.

1.3. Behavioral Finance:

Traditional financial models assume that the individual is rational and expects them to act accordingly and make investment decisions. In other words, it assumes that the rational human

acts according to the assumptions of the effective market hypothesis has enough knowledge, acquires the new information immediately, and is an individual who does not repeat his mistakes, which is completely a delusion today since the individual is a whole and is not just financial indicators and knowledge completing this whole. Behavioral finance has emerged to understand and interpret humans as a whole.

Behavioral finance is a discipline that focuses on finding out how human psychology affects the decision-making process of investors and the financial markets. It explains why investors make decisions based on their biases, emotions, and personal experiences instead of rational decisions backed by data and research.[1]

A. Key Concepts in Behavioral Finance:

I. Heuristics and Biases:

- **Heuristics**: Rules of thumb or mental shortcuts that people use to make decisions quickly. While useful, they can lead to biases and errors.
    - **Availability Bias**: Overestimating the likelihood of events based on their availability in memory (e.g., recent news influencing stock choices).
    - **Representativeness Bias**: Judging probabilities based on similarities to existing stereotypes rather than statistical reasoning.
    - **Anchoring**: Relying too heavily on an initial piece of information when making decisions.

II. Overconfidence:

Overconfidence is a cognitive bias that causes people to overestimate their knowledge, ability, or skills to predict future outcomes. In finance, overconfidence can lead to excessive trading or taking on too much risk.

III. Loss Aversion:

Loss aversion is the tendency for individuals to prefer avoiding losses over acquiring equivalent gains. This bias can lead to risk-averse behavior when facing potential gains and risk-seeking behavior when facing potential losses. People tend to feel the pain of losses more intensely than the pleasure of equivalent gains.

IV. Mental Accounting:

Mental accounting refers to the tendency of individuals to categorize and evaluate financial transactions in separate mental accounts, which can influence their financial choices and risk-taking behavior.

V. Emotional influences:

Emotions can also play an important role in financial decision-making. Fear and greed are two of the emotions that have a particularly big impact on decisions. Fear of loss can cause investors to sell off assets too soon, and greed can lead them to take on too much risk in the hopes of earning higher returns.

VI. Cognitive biases:

It can have an important impact on financial decision-making. These effects explain why individuals and markets sometimes behave irrationally, challenging traditional financial models.

VII. Herd Behavior:

Sometimes, people behave like bandwagon riders. The tendency to copy the actions of others, particularly during periods of market uncertainty, leads to bubbles or crashes. They follow the crowd rather than doing their due diligence.

B. Applications of Behavioral Finance:

Behavioral finance applies psychological insights to financial decision-making, helping explain why people often make irrational choices in investing and other financial matters. Here are some key applications:

I. Investment Strategies:

Behavioral finance affects the design of portfolios and strategies that account for different types of investment decisions according to the investor's needs:

- Retirement plan
- Children's education plan
- Various types of insurance plans, etc.

II. Corporate Decision-Making:

Company executives often exhibit **overconfidence bias**, leading to overinvestment in projects or risky acquisitions. Example: **CEO overconfidence** can result in excessive mergers and acquisitions, even when data suggests otherwise.

III. Financial advising:

Financial advisors can use insights from behavioral finance to assist their clients make better financial decisions. By understanding the biases, clients make better financial decisions.

IV. Portfolio Management

Behavioral portfolio theory suggests investors create portfolios based on goals rather than optimal risk-return trade-offs. Example: Some investors prefer dividend-paying stocks due to **mental accounting**, even when non-dividend stocks could provide higher returns.

IV. Risk Management

Behavioral finance contributes to risk management practices by identifying behavioral biases that lead to excessive risk-taking or risk aversion. Risk managers integrate behavioral insights into stress testing, scenario analysis, and decision-making frameworks to anticipate market disruptions and mitigate systemic risks. Understanding how biases affect risk perception helps organizations develop robust risk management strategies.

VI. Public Policy & Regulation

Governments use behavioral finance to design policies that promote better financial behavior (e.g., **auto-enrollment in pension plans**). It also helps regulate markets to curb speculative bubbles and protect investors from fraud.

1.4. Mutual Fund:

In these days, bank rates have fallen and are generally below the inflation rate. So, keeping large amounts of money in the bank is not a wise option, as in real terms the value of money decreases over some time. One of the best alternative options is to invest the money in the stock market. However, a common investor is not informed and competent enough to understand the intricacies of the stock market. This is where mutual funds come to the rescue. A mutual fund is a group of investors operating through a fund manager to purchase

a diverse portfolio of stocks or bonds. Mutual funds are highly cost-efficient and very easy to invest in. The biggest advantage of mutual funds is the diversification of risk diversification which means spreading out money across many different types of investments. When one investment is down, another might be up. Diversification of investment holdings reduces the risk tremendously.

Mutual funds, as dynamic financial institutions, play an important role in an economy by mobilizing savings and investing them in the capital markets. Thus, mutual funds establish a link between savings and the capital market. At the same time, mutual funds increase liquidity in the money market. Thus, mutual funds play a crucial role in allocating resources in emerging market economies.

A. Types of Mutual Funds:

The selection of a scheme for an investor will depend upon the need that the investor has for the investment. There are some types of mutual funds:

I. **Open-Ended:** Open-ended schemes are open for investors to enter or exit at any time, even after the NFO (New Fund Offer). The ongoing entry and exit of investors implies that the unit capital in an open-ended fund would keep changing regularly. This scheme also allows investors to buy or sell units at any point in time. This does not have a fixed maturity date. Open-ended schemes include the following

   i. **Debt/ Income:** In a debt/income scheme, a major part of the investable fund is channeled towards debentures, government securities, and other debt instruments. Although capital appreciation is low (compared to the equity mutual funds), this is a relatively low-risk return investment avenue that is ideal for investors seeking a steady income.

   ii. **Money Market/ Liquid:** This is ideal for investors looking to utilize their surplus funds in short-term instruments while awaiting better options. These schemes invest in short-term debt instruments and seek to provide reasonable returns for the investors.

   iii. **Equity/ Growth:** Equities are a popular mutual fund category amongst retail investors. Although it could be a high-risk investment in the short term, investors can expect capital appreciation in the long run. If you are at your prime earning stage and looking for long-term benefits, growth schemes could be an ideal investment. It includes the following-

a) **Index Scheme:** Index schemes are a widely popular concept in the West. These follow a passive investment strategy where your investments replicate the movements of benchmark indices like the Sensex, Nifty, etc.

b) **Sectoral Scheme:** Sectoral funds are invested in a specific sector like infrastructure, pharmaceuticals, IT, iron/steel, etc. or segments of the capital market like large caps, mid caps, etc. This scheme provides a relatively high-risk return opportunity within the equity space.

c) **Tax Saving:** As the name suggests, this scheme offers tax benefits to its investors. The funds are invested in equities, thereby offering long-term growth opportunities. Tax saving mutual funds also called Equity Linked Savings Schemes (ELSS) has a 3-year lock-in period.

d) **Balanced:** This scheme allows investors to enjoy growth and income at regular intervals. Funds are invested in both equities and fixed-income securities; the proportion is pre-determined and disclosed in the scheme-related offer document. These are ideal for cautiously aggressive investors.

II. **Close-Ended:** In India, this type of scheme has a stipulated maturity period, and investors can invest only during the initial launch period known as the NFO (New Fund Offer) period. It includes the following:

i. **Capital Protection:** The primary objective of this scheme is to safeguard the principal amount while trying to deliver reasonable returns. These invest in high-quality fixed-income securities with marginal exposure to equities and maturity, along with the maturity period of the scheme.

ii. **Fixed Maturity Plans (FMP):** FMPs are mutual fund schemes with a defined maturity period. These schemes normally comprise debt instruments that

mature in line with the maturity of the scheme, thereby earning through the interest component (also called coupons) of the securities in the portfolio. FMPs are normally passively managed, i.e., there is no active trading of debt instruments in the portfolio. The expenses that are charged to the scheme are, hence, generally lower than actively managed schemes.

III. **Interval:** An interval scheme combines open-ended and closed-ended schemes. It allows investors to trade units at pre-defined intervals. These schemes are largely closed-ended but become open-ended at pre-specified intervals.

B. Objectives of Mutual Fund:

The primary objective of a mutual fund is to pool money from different investors to invest in a diversified portfolio of assets such as stocks, bonds, money market instruments, or other securities. The specific objectives of a mutual fund vary based on its type and investment strategy, but generally include the following:

I. **Wealth Accumulation:**
To achieve capital appreciation over time by investing in growth-oriented assets like equities.

II. **Income Generation:**
To provide a steady income through interest or dividend payments, often by investing in bonds or dividend-paying stocks.

III. **Professional Management:**
To offer access to skilled portfolio managers who use research, analysis, and expertise to maximize returns while managing risks.

IV. **Diversification:**
To reduce risk by spreading investments across various asset classes, industries, and geographic regions.

V. **Liquidity:**
To ensure investors can redeem their investments easily, usually at the current net asset value (NAV).

VI. **Risk Mitigation**

To balance risk and return by aligning with the risk appetite of different investors, such as conservative, moderate, or aggressive.

VII. **Tax Efficiency:**

To offer tax-saving benefits under specific schemes like Equity-Linked Savings Schemes (ELSS) in some jurisdictions.

Each mutual fund has a defined objective outlined in its prospectus, guiding how the fund manager allocates assets and manages the fund.[2]

1.5. Behavioral finance and financial decision:

I. **Self-awareness:** Understanding one's own behavioral biases is the first step to becoming a more rational investor. By recognizing how emotions and biases can impact decision-making, individuals can take steps to mitigate these influences.

II. **Diversification:** Behavioural finance emphasizes the importance of diversifying one's portfolio to reduce risk. Diversification can help mitigate the impact of impulsive decisions driven by emotions or cognitive biases.

III. **Long-term perspective:** Behavioural finance encourages investors to take a long-term view of their investments. By focusing on the bigger picture and avoiding knee-jerk reactions to market fluctuations, investors can potentially achieve more favorable outcomes.

IV. **Regulation and policy:** Behavioral finance research can also inform regulatory policies designed to protect investors. For example, policies that promote transparency and disclosure can help counteract the effects of misleading information or overconfidence.

v. **Education and professional guidance:** Financial advisors can play a vital role in helping investors make rational decisions. They can provide guidance, counterbalance emotional decision-making, and inform investors of the potential loss of behavioral biases.[3]

A. Behavioral Impact and Mutual Fund:

Behavioral finance examines the psychological factors influencing investors' financial decisions, often leading to deviations from rational economic theories. In the context of **mutual**

funds, behavioral finance has significant implications for both investors and fund managers. Here's how:

I. Investor Behavior and Mutual Funds:

i. Herding Behavior

- Investors often follow the crowd, leading to mass buying or selling of mutual funds.
- This can result in excessive inflows during market booms or panic-induced redemptions during downturns, potentially impacting the fund's performance.

ii. Overconfidence

- Many investors overestimate their ability to pick the "right" mutual fund, leading to frequent switching or excessive risk-taking by choosing highly volatile funds.

iii. Loss Aversion

- Investors tend to feel the pain of losses more acutely than the pleasure of gains. This often leads to holding on to underperforming funds longer than necessary or selling winning funds too early.

iv. Recency Bias

- Investors focus on recent performance rather than long-term trends, often choosing funds with high short-term returns, which may not sustain over time.

v. Mental Accounting

- Investors categorize money irrationally, such as viewing mutual fund investments separately from their overall portfolio, leading to suboptimal allocation.

II. Fund Manager Behavior:

i. Overconfidence

- Fund managers may overestimate their stock-picking skills, leading to excessive trading, which increases transaction costs and affects fund performance.

ii. **Anchoring**
   - Managers might rely too heavily on historical performance or specific benchmarks, potentially ignoring new information that contradicts past trends.

iii. **Risk Aversion**
   - In periods of uncertainty, fund managers may prioritize capital preservation over returns, affecting performance in risk-acceptant markets.

iv. **Window Dressing**
   - To attract investors, fund managers might adjust portfolios near reporting periods to include well-performing stocks, which may not align with long-term strategies.

III. Implications for the Mutual Fund Industry:

i. **Marketing Strategies:** Fund houses often use behavioral biases, such as emphasizing recent high returns, to attract investors.

ii. **Product Design:** Funds tailored to investor psychology, like target-date funds or systematic investment plans (SIPs), aim to counteract biases like poor market timing.

iii. **Performance Evaluation:** Investors may need to focus on long-term risk-adjusted returns rather than chasing short-term performance.

IV. Mitigating Behavioral Biases:

i. **Education and Awareness:** Increasing investor awareness about biases can promote rational decision-making.

ii. **Automated Tools:** Robo-advisors and financial planning tools reduce emotional interference.

iii. **Diversification:** Encouraging diversification minimizes the impact of biases like loss aversion.

- **Advisory Services:** Financial advisors can guide investors to stay disciplined during volatile markets.

1.6. Overview of Ranchi District:

In Jharkhand (The Land of the Forest) almost 29% of land is covered by forests. Jharkhand is a state in the eastern part of India, which separated from the southern half of Bihar on 15 November 2000, and became the 28th state of India. The state Shares Its border with the state of Odisha to the south, Chattisgarh to the west, West Bengal to the east, Bihar to the north, and Uttar Pradesh to the northwest. It has an area of 30,778 sq mi (79,710 km2). It is the 15th largest state of India. This is about 2.42% of India's total area. Jharkhand is the 14th largest state in India by population. The city of Ranchi is the capital of Jharkhand and Dumka is the sub-capital of Jharkhand. The official Language of the state is Hindi. The state is known for its waterfalls, holy places, hills, and forests. Baidynath, Devri, Rajrappa, and Parasnath are the most popular Holy places of Jharkhand.

On 15 November 2000, the Chota Nagpur region was separated from Bihar to Jharkhand, which became India's newest state. Statehood was a culmination of a long struggle carried on primarily by the Adivasis, or Scheduled Tribes. The tribes of Jharkhand Consist of 32 tribes inhabiting the Jharkhand; Santhal, Munda, Oraon, Ho, and Kharia are the Most famous. Jharkhand is the Leading producer of mineral wealth in the Country. Dhanbad is the Coal capital of India. The state is rich in Iron, Coal, Uranium, Bauxite, etc.[4]

A. Ranchi District:

Ranchi is the Capital of Jharkhand and is divided into Ranchi and Bundu subdivisions and each subdivision is further divided into blocks, panchayats, and villages. It consists of 18 blocks and 305 panchayats. Under Ranchi Sub-Division, there are 14 blocks and Bundu Sub-Division consists of 4 blocks. Ranchi is located on the southern part of the Chota Nagpur plateau which forms the eastern edge of the Deccan plateau. Ranchi is referred to as the "City of Waterfalls", due to the presence of numerous large and small falls of around the close around the city. The city has a moderate climate and was the summer capital of Bihar until Jharkhand was separated in the year 2000.

B. Geographical View of Ranchi:

Ranchi is situated in the southern part of the Chota Nagpur plateau in the Indian state of Jharkhand. It is located at 23°22′N 85°20′E, near the Tropic of Cancer. The city has an area of the district is 175 square kilometers. The average elevation is 651 m /2140 feet above sea level.

Ranchi has a humid subtropical climate. It has a hilly topography with dense tropical forests which ensure that relatively moderate climate.

Nowadays, Forests are being cut indiscriminately to build cities, the average temperature has slowly increased.[5]

C. Mineral Resources of Jharkhand:

Jharkhand is a blessed land with the natural gift of vast mineral potential and other natural resources. Jharkhand has a strong position on the mineral map of the country. The state has potential deposits of energy, ferrous, non-ferrous, industrial, refractory, fertilizer, strategic automatic, precious, and semi-precious groups of minerals. The state covers 29.61% forest area and 40% of the total mineral resources of India. The State acquires 1st position in coal reserves, 2nd position in Iron, 3rd position in Copper ore reserve, 7th position in Bauxite reserve, and is the sole producer of prime coking coal. Presently Jharkhand is annually producing about 160 million tonnes of various types of minerals worth Rs 15,000 crore and generating mineral revenue to the tune of about Rs 3,500 crore. The deposits of Coal, Iron ore, Uranium, Limestone, Bauxite, Pyroxenite, Dolomite, Quartz, and Quartzite are available in sufficient quantity. The deposits of China Clay, Fireclay, Kyanite, Feldspar, Magnetite, Graphite, Mica & Decorative Stones are available in plenty. The deposits of Andalusite, Manganese, Talc, Gold, Chromite, Beryl, and Bentonite are available in small quantities.

D. Education Hub and Head Offices in Ranchi:

Ranchi is a famous educational destination for students of Jharkhand, Bihar, and some parts of West Bengal. Many students come here for their senior secondary education, and it also has some prestigious institutes like IIM, NIFFT, BIT Mesra, NUSRL, CIP, RIMS, etc.

It also boasts the head offices of some important government organizations like HEC, SAIL, and CCL. It is also known for quality sports infrastructure as there are plenty of international-level stadiums for different kinds of sports.

E. Population of Ranchi:

As per the 2011 census Ranchi district has a population of 2,914,253, where the number of males is 1,494,937 and females is 1,419,316. Its population growth rate over the decade 2001-2011 was 23.9% and recorded an increase of 28.58% in population compared to 1991.

F. Ranchi Literacy Rate:

According to the 2011 census report, the literacy rate in Ranchi was 76.06%. This was higher than other districts in Jharkhand, such as Dhanbad (74.52%), Giridih (63.14%), and Ramgarh (73.17%), where the male literacy rate in Ranchi was 84.26%, and the female literacy rate was 67.44%. The literacy rate in Ranchi increased from 66.71% in 2001 to 76.06% in 2011. The literacy rate for females in Ranchi increased from 54.27% in 2001 to 67.44% in 2011, while the literacy rate for males increased from 78.18% in 2001 to 84.26% in 2011.

G. Ranchi Gender Ratio:

As per the 2011 census report, the gender ratio in Ranchi was 949 females for every 1000 males, which is higher than the 2001 figure of 929. As per the 2011 census report, the average gender ratio in India was 940. In the 2011 census report, the child gender ratio in Ranchi was 938 girls for every 1000 boys child, which is lower than the 2001 census figure of 960 girls child for every 1000 boys child.

2. Literature Review:

Bighiu (2010)[7] examined Investor Psyche Driving Market Performance, from a behavioural finance viewpoint. This paper summarises research findings in the behavioral finance area, including herding behavior, idea contagion, risk aversion, and investor sentiment. The study supports the use of empirical methods to understand better investor behavior and biases and the implications of irrational decisions on market performance. According to this research, the discrepancy between rational and behavioral approaches can be bridged by providing financial models incorporating the human aspect.

Kohli, Garima (2019)[8] Resesarcha examined Behavioural Finance in the Investment Decision Making Process of Mutual Fund Investors newline, The present study has focused on the behavioral finance that affects the investment decision-making process of mutual fund investors. As mutual funds are at the boom stage, it becomes increasingly important to understand the various behavioral factors of mutual funds investment for the success of investment decision-making among the investors. Different mutual fund schemes were identified viz, open-ended and close-ended schemes, but the study concluded that open-ended mutual fund schemes were the most preferred schemes among the investors. Amongst the open-ended schemes, equity schemes were most preferred by the investors followed by balanced and

money market. The study also showed that there exists a positive relationship between all three behavioral factors (cognitive dissonance, representative heuristic, and self-confidence) and investment decision-making (savings and investment behavior and investment in mutual funds). The three behavioral factors are also related to each other with a positive correlation between them. Among the identified behavioral factors viz, Cognitive Dissonance, Representative Heuristic, and Self-confidence concerning SIB and IMF are significantly contributing to the investment decision-making in mutual fund investment.

D, Nithya(2017)[9] Mutual fund investment decision by individual investors behavioral perspectives. The study was based on selected individual investors and was initiated to gain a deeper understanding of the decision-making process with the influence of behavioral finance. The study established the fact that investors' investment decision-making is largely influenced by their demographic background. The main findings of the study found that the majority of investors have a lower risk appetite while investing in the mutual fund market. Investors are well aware of the return and risk component, investment tenure, and return calculation in mutual funds. Investors have their own set of beliefs and financial objectives to invest in the mutual fund market. Investment awareness of risks and the availability of different sorts of funds guide them to outperform in the market consistently. Mutual fund investment is mainly influenced due to the active presence of fund-specific, economic, and other investment factors. It can be said that the mutual fund market and investment situation influence the perceived risk tolerance of the investor. Investor's investment decisions are based on their objective evaluation of risks and expected return, psychological factors towards risk tolerance may play a critical role in investment decisions. This study publicized that source of information, selection criteria of funds, and features considered while investing money in mutual funds are made according to the prevailing trend in the market. The attitude of individual investors in respect of mutual fund investment was almost equal. Individual investors are satisfied with the functioning of mutual funds.

Rakesh (2014)[10] conducted a study on behavioral finance and its applicability to Indian Investors. This study tested the applicability of behavioral finance theories in Indian investors examined the concept of behavioral finance and various theories associated with it, and provided investors' loss-averse nature. The

study sample includes 150 individual investors, and the hypothesis was tested using chi-square analysis. The findings of the study indicate that the loss and gain of stocks in the market result in a significant change in the behavior of investors. Similarly, investors' perception is

significantly associated with the variation in the stock market index which reveals that anchoring theory is applicable in the case of Indian investors.

Howard (2012)[11] conducted a study to examine the contributions of behavioral finance in cognitive psychology and neuroscience to decision-making. In this study, the researcher relied on a five-paradigm model to evaluate the role of cognitive psychology and neuroscience in understanding financial decision-making. This study evidenced that in the case of financial decision-making, the shift from one point of knowledge enhancement to another is not smooth and none of these models can be considered as dominant. The researcher suggests that if people want to make meaningful progress in understanding and improving financial decision-making, they must integrate these distinct viewpoints.

Alghalith et al. (2012)[12] made a study to test the dominant theories and assumptions in behavioral finance with the S&P 500 index. In this study, they tested the risk aversion assumption as well as examined the dominant theory which explains optimal portfolio depends on risk preferences. Further, they proposed an alternative model to test prospect theory. The results indicate that investors are risk-takers, that a change in the sign of preferences does not necessarily imply a change in the sign of wealth/return, and that the optimal portfolio is independent of preferences.

Park and Sohn (2013)[13] -summarised the latest research in behavioral finance. They focused on the recent literature on market anomalies, investor behavior, and behavioral corporate finance. They emphasized confirmation from real investments and specific evidence or examples from the Korean financial market. This study shows the statistics of behavioral finance notions explored in the previous studies and articles published in the behavioral finance area.

3. Research Gap:

From the review of some past research studies on the behavioral finance of mutual fund investors, there has been minimal research in this area in the Ranchi District. Furthermore, the studies that have been conducted in the Ranchi district context have addressed only a few behavioral biases. Therefore, to bridge these gaps researcher will attempt to study the effect of multiple behavioral factors on the financial decision-making process of individual mutual fund investors.

Some probable research gaps have not been touched in the field of financial decision-making behavior towards mutual funds investment in Ranchi District:

- Only financial facts have been considered.
- Lack of studies of the mutual fund investment market and how it affects investment behavior, risk preferences, and financial decision-making.
- Limited exploration. Due to the influence of psychological factors like emotion,over-confidence, and hard behavior may affect decision-making skills.

4. Significance of The Study:

A study on the role of behavioral finance in financial decisions regarding mutual funds in the Ranchi district is significant for several reasons. It offers crucial observation into how Demographic factors like income level, age, gender, level of education, spending habits, Perception, and lifestyle toward mutual fund investment affect financial Decisions and their pattern.

By understanding these effects, policymakers and financial Advisors can tailor their strategies to better meet various Mutual fund investor needs, increasing overall financial outcome and satisfaction.

Furthermore, the research will highlight the role of behavioral finance to assist investors and financial managers in better assessing and managing risks by understanding how emotions and perceptions distort risk assessment. This implies that the financial market may not operate efficiently, as investor behavior is influenced by their biases. Additionally, the study of the identification and classification of demographic factors influencing the behavior of investors toward financial decision-making capacity.

Potentially leading to the development of targeted educational programs that improve investors' financial market investment knowledge and abilities of decision-making skills. The recommendations of the study will assist financial decision-makers and policymakers in creating strategies that address the miscellaneous experiences and profiles of investors, or contribute to a well-organized and comprehensive financial system.

5. Objective of The Study:

I. To study the relationship between behavioral factors like level of thinking, emotion, Cognitive biases, level of income, lifestyle, education level, decision skills, and financial Decisions.

II. To study the relationship between the period of experience in the mutual fund market and the Impact of financial decision patterns in Ranchi district.

III. To identify and categorize the most significant behavior of financial decision factors that affect the mutual fund investment decision and patterns at Ranchi district.

IV. To investigate how the role of behavioral finance influences the financial decision-making capacity in mutual funds investment in the Ranchi district.

6. Hypothesis of The Study:

The hypotheses of the study are determined as follows:

H1:- There is a Relationship between the Investors' Bias Level and Delusion Sub-dimensions.

H2:- Behavioral factors significantly influence investors' financial decision-making toward mutual fund investment decisions in the Ranchi district.

H3:- There is a Statistically Significant Relationship among the investors' Delusion Sub-dimensions.

7. Research Design and Methodology:

This study is an analytical study of behavioral finance toward financial decisions in the mutual fund investment market. It is an empirical survey. This is a descriptive field survey study. Thus, the researcher will adopt a model based on primary and secondary data.

A. Primary Data:

The researcher will select a primary survey to collect primary data, which forms the core part of this study. The primary data will be collected with the help of a structured questionnaire specifically designed for this research study purpose. The researcher will be prepared with questions, sufficiently adequate to cover details regarding the investor's behavior, like emotions, income, lifestyle, critical thinking, education level, trends of the market, and analysis

skills in financial decision-making in mutual fund investments. Primary data will be collected from the Ranchi District by use of-

- Personal interviews
- Questionnaire
- Personal visits and observations

The collection of primary data will help to find fresh and first-hand information, and the data cannot be obtained from secondary source data collection.

I. Sampling and Sample Size:

This research study is an empirical survey of a descriptive type. So, the researcher will use a research methodology to suit an empirical survey. The method of a strategic random sample will be selected by

convenience is used. Due to cost and time constraints, the research would be confined only to the Ranchi District.

• The size of the sample will be: 200-300 respondents.

• Sampling method: Random sampling will be used.

• Sampling unit: investors of mutual fund investment companies.

• Measuring tools: Questionnaire, personal observation, and interviews.

• Sampling procedure: Convenience sampling from mutual investors.

B. Secondary Data:

The secondary data will be collected from the sources that already exist:

• Government Publications

• Research Journals

• Stock Exchange Publications

• Newspapers

• Magazines

• Research articles by individual scholars

• Websites

7.1. Data Analysis: The collected data has been properly classified and analyzed with the help of statistical techniques such as:

I. **Correlation**: To establish a relation between two or more variables for the data availed.
II. **Regression Analysis** establishes a relation between two or more variables in regression analysis.
III. **Tabulation:** To tabulate data in tabular form for analysis.
IV. **Graphs:** For graphical presentation of data.
V. Tests such as t-test, z-test, f-test, ANOVA-test, etc. if necessary.

Data Representation: Data analysis will be represented through Table, Figure, Bar diagram, Pie chart, etc.

8. Limitation of Study:

A study of behavioral finance towards financial decision-making skills in the mutual fund investment market in Ranchi District may have several limitations, including:

I. The study is confined to the mutual fund investors alone. Other investors remain uncovered.
II. The study is confined alone to Ranchi District. So the findings may not be generalized for the other parts of the state or country.
III. If the response rate is low or if certain types of investors are more likely to participate, it could introduce biases into the study's findings.
IV. There are participants, Only those investors who deal in mutual fund investment markets are considered.
V. Participants may not always provide accurate information about their investment behavior or preferences, leading to biased results.

9. Tentative Chapterisation:

Chapter 1: Introduction, Review of Literature, and Profile of Ranchi District

Chapter 2: A detailed study of behavioral finance and financial decisions.

Chapter 3: Financial decision impact by behavioral finance in Mutual Funds.

Chapter 4: Research Methodology, Data Analysis, and Data Interpretation

Chapter 5: Conclusions, Findings, and Suggestions.

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